

Colloquium Urges Prompt Action on NACE

A group of distinguished environmental and trade experts gathered in Santa Fe, New Mexico, in mid-February to discuss **The North American Environment: Opportunities for Trinational Cooperation by Canada, the United States, and Mexico**, and to issue a report. Hosted by the North American Institute, the Colloquium was attended by senior governmental officials, academicians, and representatives from non-governmental organizations and private industry.

Gary Hufbauer of the Institute for International Economics gave the keynote address, in which he outlined a series of environmental "shared sacrifices and pleasures" involved in the implementation of the North American Free Trade Agreement. Sergio Reyes Lujan, President of Mexico's National Institute of Ecology, detailed Mexico's progress since 1988 in environmental protection and in the development and enforcement of standards. Manuel Arango, of the Mexican Foundation for Environmental Education, discussed the development of a new philanthropic and voluntary sector in Mexico, composed of private organizations that "work for the public good."



Manuel Arango, Mexico

Some of the other presenters included Ambassador Arthur Campeau of the Canadian Ministry of External Affairs; F.G. Hurtubise of Environment Canada; Alan Hecht, Acting Assistant Administrator for International Activities, U.S. Environmental Protection Agency, and his predecessor, Timothy Atkeson, now with the Environmental Law Institute; and Stewart Hudson and Lynn Greenwalt of the National Wildlife Federation. All in all, the conference heard from close to 20 presenters and responders from the three North American countries and from the EC.

The group discussed ways in which challenges to the continent's environment can be met through cooperative action, in order to achieve sustainable economic growth while protecting the North American ecosystem. Specific topics considered included bilateral cooperation, environmental provisions and implications of NAFTA, the global environmental agenda, and the creation of a trinational North American Commission on the Environment (NACE).

The North American Commission on the Environment was formally proposed by the environmental ministers of Canada, the U.S., and Mexico on September 17, 1992, in Washington, DC. The purpose of the NACE was to strengthen the environmental provisions and goals of NAFTA through dispute resolution, harmonization of environmental laws and policies among the three countries, enhancement of standards, and agreement not to permit the creation of pollution havens.

Participants at the February Colloquium were unanimous in their support for the creation of the NACE, and they urged its rapid establishment, given the likely timetable for ratification of NAFTA and impending political changes in Canada and Mexico. Most felt that the creation of the NACE would likely

play a key role in the ratification and implementation of NAFTA. Nevertheless, they saw the Commission as a necessary step in and of itself, regardless of NAFTA.

The NAMI Colloquium incorporated detailed discussions of virtually all aspects of the proposed North American Commission on the Environment. A broad consensus emerged regarding key NACE characteristics:

- The NACE must be open and transparent, with provision for continued public comment and involvement.
- The role of the NACE should be consultative, with the power and responsibility to make recommendations to the three governments.
- The NACE should rely on "intrusive sunshine" through participation and observation by citizens and public interest groups, rather than taking a "guns and badges" approach to enforcement of environmental regulations.
- Functions of the NACE should include environmental and trade monitoring and the

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Colloquium (from Page 1)

- ability to deal with emergency situations.
- The NACE should establish consistent data and standards and develop a common knowledge base among the three countries.
- The NACE should provide a mechanism for the “upward harmonization” of environmental policies.
- The NACE should be headed by the environmental ministers of the three countries, but with substantial involvement by nongovernmental organizations, private citizens, and industry.
- The NACE should be adequately financed and supported by a permanent secretariat.

In addition to consideration of the NACE, the Colloquium included discussion of bilateral initiatives--in particular, the border area agreement signed by the U.S. and Mexico in September 1992, which was characterized as an important but unfinished agenda, calling for major financial investment and rapid infrastructure development.

The *Report and Recommendations* of the trilateral NAMI Colloquium on the North American Environment has been sent to 2,500 leaders and policymakers in Canada, the U.S., and Mexico, as a major contribution to the development of the NACE and related policy questions. Copies of the *Report and Recommendations* are available from the NAMI office, as are copies of background papers. Contact Sarah Laurence, NAMI, 128 Grant Avenue, Suite 106, Santa Fe, New Mexico 87501, Fax (505) 983-5840.

North American Institute Forum:

**THE WESTERN HEMISPHERE
INTERFACE: BEYOND NAFTA**

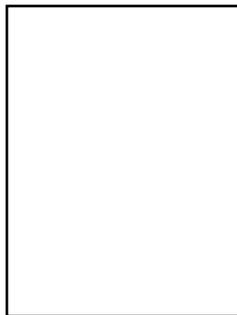
May 28-30, 1993

NAMI NEWS is published bimonthly by The North American Institute, a trinational organization providing a forum for the cooperative development of ideas for managing the emerging North American community. The purpose of NAMI NEWS is to monitor and disseminate information about events, publications, and research with potential policy implications involving Canada, the United States, and Mexico. Readers are invited to send articles, notices, and comments to NAMI NEWS, The North American Institute, 128 Grant Ave., Ste.106, Santa Fe, NM, USA 87501 Tel. (505) 982-3657, Fax (505) 983-5840.

NAMISTA Notes

Alberto Ruy Sanchez gave poetry readings to enthusiastic audiences in Santa Fe and at the University of New Mexico in Albuquerque in early February. Sr. Ruy Sanchez, who was in town for a meeting of authors of NAMI’s upcoming identities publication, also met with Museum of New Mexico officials regarding possible articles in *Artes de México*, of which he is editor.

Brooke Jeffrey has written a book of reflections and insights on Canada’s recent constitutional debate entitled *Strange Bedfellows, Trying Times: Politics in Canada After the Referendum* (Key Porter Books, 239 pages, \$18.95). Jeffrey, a former public servant and Liberal party researcher, sees the Meech and Charlottetown accords as misguided efforts, for which the Canadian political establishment bears responsibility.



Brooke Jeffrey, Canada

According to Jeffrey, “The lesson to be learned from the failure of the Charlottetown accord process is not that the political system is flawed; rather it was the incumbents in the political elite who abused it. It is difficult to overestimate the importance of Mulroney’s brokerage approach to federal-provincial relations and constitutional affairs. Its effect was to remove the national government from the playing field in any capacity except that of referee. Instead of a national vision, Canadians were treated to the spectacle of provincial elites carving up the country. . . . It was provincial and regional demands, encouraged by executive federalism and

Mulroney’s brokerage approach, that made the negotiating process hopelessly complex and the final product unsaleable. . . .”

Andy Dunigan, Director of the State of Texas Office in Mexico City, has written an article entitled “Texas Looks South” for *Business Mexico* (December 1992), in which he notes that Texas accounts for nearly half of all U.S. exports to Mexico, and that Texas exports to Mexico have grown by 140% since 1987. (U.S. exports overall to Mexico have grown 128% in the same period.) Exports to Mexico support more than 364,000 jobs in Texas. Dunigan describes the Texas Marketplace, a new computerized network designed to help Texas companies access new market opportunities. Dunigan is working to strengthen ties among government, businesses, and private sector organizations in Texas and in both larger and medium-sized Mexican cities. Prior to his assignment in Mexico City, Dunigan was special assistant to NAMISTA and fellow Texan **Don Newquist**, chairman of the U.S. International Trade Commission in Washington.

Maurice Strong, a NAMI founder, chairman of Ontario Hydro, and former Secretary General of the U.N. Conference on Environment and Development, has been awarded the 1993 Onassis Delphi Prize in Athens. The prize is bestowed by the Alexander S. Onassis Public Benefit Foundation to honor international contributions to the environment.

Assistant to the President **Kathleen Lyons** has left NAMI to attend to family matters. Daily operations in the Santa Fe office are being managed by **Sarah Laurence**, a recent graduate of Stanford University.

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The North American Environment: Excerpts from NAMI Colloquium Report

RECOMMENDATIONS (Excerpts)

1. Establish a North American Commission on the Environment

- As a matter of urgent priority, Canada, the U.S., and Mexico should complete negotiations on the North American Commission on the Environment (NACE) announced by their three environment ministers in Washington on September 17, 1992.
- The NACE should be mandated to review regularly the environmental programs of the three countries with the goal of strengthening and harmonizing upward the environmental laws and enforcement of those laws by the three countries. Economic activities that abuse the global commons or the transboundary environment should be subject to corrective action promptly regardless of any trade effects.
- As a regular part of the NACE's environmental oversight function, the NACE, with the help of the environmental ministries of the three governments, should report annually to the three governments and the public on: a) the state of the North American environment; b) the upward harmonization of environmental laws and enforcement by the NAFTA parties; c) the attainment of the environmental goals of the NAFTA; and d) areas that need to be addressed to strengthen and achieve the environmental goals of the NACE of protecting the environment and promoting sustainable development.
- The NACE should confine itself to suggesting rather than prescribing changes in national environmental legislation. The actual enforcement of national environmental laws will, of course, continue to be carried out by each nation in its own territory.
- The NACE should form part of the NAFTA dispute resolution process when environmental questions are raised.
- Public participation in the NACE should be institutionalized through appropriate mechanisms including advisory panels, public hearings, and scientific review boards in liaison with NGOs, the private sector, and state, provincial, and local governments.
- The NACE, as a regional organization, should actively explore a creative relationship with the new United Nations Commission on Sustainable Development.
- The NACE should have a professional secretariat to carry out its functions and to complement the functions of the environmental agencies of the three countries.

2. Bilateral Cooperation

- Bilateral environmental cooperation provides a necessary means of responding to requirements that principally interest only two of the three nations of North America.
- Such bilateral concerns generally but not exclusively involve the U.S.-Mexico and U.S.-Canada border. Even in border areas, the third nation may find an appropriate role for providing technical, advisory, or financial support.
- Bilateral cooperation can, additionally, reinforce the programs and goals of the NACE; for example, training programs may be conducted on a bilateral basis.
- Final negotiations and signing of the U.S.-Mexico bilateral environmental agreement (initiated in September 1992) need to be completed. The text of this bilateral agreement should be coordinated with arrangements for the North American Commission on the Environment.
- Active implementation and full financing of the 1992-94 first stage of the U.S.-Mexico Border Environment Plan also requires priority attention. In addition, work must be commenced to prepare the next stage of the plan (1995-2000).
- It is imperative that all agreed needs for bilateral environmental infrastructure should be placed on a solid financial basis, whether

through allocation of duties, bond-issuing authority, corporate guarantees and service charges, or other means. This presently is not the case and constitutes the largest single uncertainty in achieving North American environmental goals.

3. The Global Environmental Agenda

- The NACE should be constituted as a leading example of a regional entity called for by UNCED's Agenda 21 in fulfilling the goals of sustainable development.
- The progressively upward harmonization of environmental standards in North America as developed within the NACE should constitute an important element of this continent's global environmental leadership.
- The NACE should be integrally involved in the process of supporting environmental reform in this hemisphere, particularly in the possible expansion of the NAFTA to include additional parties.
- The NACE should serve as a stimulus to, and a model for, creating a culture of international public participation in environmental affairs.

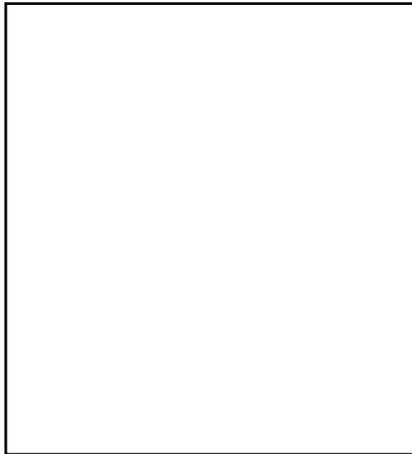
COMMENTS AND CONCLUSIONS (Excerpts)

The NACE would be a nonregulatory body that would monitor the NAFTA from an environmental perspective, foster higher environmental standards and strengthened enforcement, draw in public participation, develop new areas of trinational environmental cooperation, and help the member countries meet the goal of sustainable development. Promoting objective and credible accountability on environmental matters will be central to the NACE's monitoring, fact-finding, and information-sharing mandate.

As important as the NACE will be within the NAFTA framework, however, Colloquium participants viewed it as going beyond the environmental consequences of free trade. They emphasized that the NACE should be reinforced by commitments to a) strengthen programs of bilateral environmental cooperation; and b) enhance North American coordination with the U.N. and other multilateral programs on the global environment and ecology.

Colloquium members concluded that neither NAFTA ratification nor adequate progress in protecting their national and continental environments could be achieved without decisive action on the part of the three North American governments. But they were optimistic that such action is as feasible as it is desirable--politically, economically, administratively. A consensus has emerged that closer cooperation across the continent at the federal, subfederal, and public and private sector levels is both imperative and feasible. Trade promotes economic growth, which is in everyone's interest, but so is environmental protection, which is the only way to make economic growth sustainable.

The NACE's role as one of the first truly North American institutions (along with the North American Free Trade Commission) will be to reconcile environmental, economic, and political tensions through a variety of instruments including credible information and public accountability. This will not only be retrospectively, identifying past environmental damage. It also will be prospectively, forestalling environmental damage in the future. Through the economics of pollution protection, this latter role could be the NACE's greatest contribution of all. Backed up by a strong North American commitment to ongoing bilateral and global environmental cooperation, the NACE is as critical to economic growth through a ratified and implemented NAFTA as it is to the preservation of the continent's ecology as a whole.



Douglas X. Patiño

New Partnership Foundation Forges North American Philanthropic Collaboration

Douglas X. Patiño

North America is discovering the enormous potential in social, environmental, and economic partnerships among Canada, the United States, and Mexico. These new partnerships create new paradigms to mobilize resources and people. The recent efforts of the U.S. Council on Foundations are a good example. The Council is working to eliminate legal and governmental policy barriers to facilitate the flow of charitable dollars among Canada, the U.S., and Mexico. Just as the North American Free Trade Agreement will stimulate commerce among the countries in the region, so will the proposed new uniform tax code between Mexico and the U.S. encourage donors to give across borders.

Educational leaders are also beginning to examine trinational university level academic articulation processes to encourage cross-border curriculums. This means that professionals will be prepared to practice successfully in any of the three countries to the benefit of all.

A binational border region offering enormous opportunity for vibrant and progressive partnership is the Mexican-U.S. Frontera. This border region, which presents startling contrasts between development and underdevelopment, is populated by over 9 million people who share a 2,000-mile stretch of land. Within this region are 30 cities, with overlapping and highly interdependent economies, societies, and cultures. The people of these communities share urban services, industries,

environmental conditions, and disparities between rich and poor. A growth in trade between the U.S. and Mexico will lead to greater prosperity for both: increased flow of goods, services, technology, capital, and human resources.

On the other hand, the potential for continued economic disparity threatens to jeopardize this prosperity. Infrastructures are already strained, wages are low, upward mobility of women is limited, and employment benefits for all workers are minimal. New structures and organizations are needed.

One emerging tri-sector effort is that of the New Partnership Foundation (NPF). The Foundation is an innovative response to the social and economic challenges between the U.S. and Mexico. Its major thrust is to encourage domestic and international partnerships to improve communication, cooperation, and economic and social development among the diverse populations and the various sectors: government, business, non-profit organizations, and foundations. The Foundation focuses on Frontera philanthropy and on volunteerism, leadership, community initiatives, and binational and trinational relations.

Creating a North American Philanthropic Common Market

In July 1991 the Foundation joined six representatives from the Centro Mexicano para la Filantropía, the Canadian Centre for Philanthropy, and the U.S. Council on Foundations in a tripartite committee to seek ways to eliminate the legal and administrative blocks to cross-border giving. The tripartite committee, chaired by Janice Windle of the El Paso Community Foundation, quickly learned that it needed to understand each country's laws governing philanthropy. Through the leadership of Manuel Arango and Ricardo Goveia of the Centro Mexicano para la Filantropía and in close cooperation with the participants of the tripartite committee, it became apparent that Mexico and the U.S. offered a unique opportunity to reduce philanthropic barriers between the two countries. Since that time, the governments of the countries, foundation councils, and international law firms have collaborated on redrafting laws governing the not-for-profit sector.

These collaborative efforts are included in the Mexico-U.S. Tax Convention, signed last summer and now awaiting U.S. Senate finance approval. The tax convention lan-

guage includes important and unprecedented provisions to facilitate cross-border philanthropy.

Under the treaty, Mexican and U.S. tax authorities will recognize exemption of each other's philanthropic organizations and give favorable tax treatment to grants and contributions to each other's philanthropic organizations. The Mexican government has taken the steps necessary to adopt and implement new legislation--Article 70-B of the Mexican Income Tax Law--coordinated with the treaty provisions.

The basic concept is to recognize that the public charity rules of the U.S. tax law and the new Article 70-B provisions of Mexican tax law set essentially equivalent standards for charities and that, therefore, once Mexico has determined that a Mexican organization satisfies Mexican law, the U.S. should recognize that determination for tax purposes, while Mexico should give equivalent reciprocal treatment to U.S. organizations.

To complete the process will require that the U.S. Senate Finance Committee agree to the tax language; the measure then goes to the full U.S. Senate for approval, and to the U.S. President for signature. The treaty will then be returned to Mexico for passage through the legislature.

The Foundation has also influenced agreements between the U.S. and the Mexican Councils on Foundations in the following actions:

- An accord of equals between the two councils was signed on November 12, 1992, by James A. Joseph, President of the Council on Foundations and Manuel Arango, Chair of the Centro Mexicano para la Filantropía. The agreement provides for increasing the effectiveness of binational philanthropy by promoting the understanding and growth of private sector giving, studying the work of nongovernmental organizations along the border, and beginning the translation into Spanish of the U.S. Council on Foundations publications and resources.

- A U.S.-Mexico Frontera Committee on Philanthropy has been created, with Ricardo Goveia of Mexico and Douglas X. Patiño of the U.S. as co-chairs. The purpose of the committee is to bring together philanthropic leaders from both countries as equals to accomplish a common task; to provide an opportunity for more communication between

smaller philanthropies in border states and between the national funds that have programs along the border; to introduce the international dimensions to local U.S. funders; to highlight in a graphic way the difficulties private organizations have in conducting cross-border programs; to host a binational regional philanthropic conference in winter 1993 in Tijuana-San Diego and a second one in Texas in early 1994; and to host a conference in Monterrey, Mexico, in winter 1994 to examine new roles for philanthropic organizations in the U.S.-Mexico Frontera region.

The Foundation is also collaborating with the Conference Board of Canada's Institute of Donations and Public Affairs Research in a national conference to focus on the issue of collaborations, in order to foster the development of partnerships in social programs by creating policy tools to facilitate the growth of vibrant networks in Canada. The Canadians also recognize the need for community investment strategies involving combinations of businesses, nonprofits, government, and foundations.

Many lessons have already been learned by the fledgling New Partnership Foundation. Though its resources are small, its human capital and potential are great. We recognize that philanthropy has no borders and that the problems faced by our neighbor, our community, our state, and our country, as well as those of countries that border us, are also our problems as well as our opportunities. Enormous binational talent and visionary leadership along the U.S.-Mexico Frontera is waiting to be called forward to create the new paradigm of the future: a Philanthropic Common Market.

Douglas X. Patiño, Ph.D., is President and CEO of the New Partnership Foundation. He is former President and CEO of the Patinno Group and the Marin Community Foundation. He has headed the Arizona Department of Economic Security, the California Health and Welfare Agency, and the California Employment Development Department, in addition to serving as Vice President for Student Affairs at the University of Southern Colorado in Pueblo.



Participants at a recent Border Progress Foundation binational forum held in Chula Vista, California

Elsa Saxod Appointed Border Progress Foundation Director

Elsa R. Saxod of San Diego has been named Executive Director of Border Progress/Progreso Fronterizo, a binational, nonprofit foundation with offices in San Diego, California. Prior to her appointment, Saxod was Director of California Governor Pete Wilson's Office of California-Mexico Affairs. She has also served as director of the San Diego Mayor's Office of Binational Affairs, of the nonprofit Fronteras of the Californias, and of Saxon Enterprises, a public relations and marketing firm.

Border Progress/Progreso Fronterizo conducts a variety of transborder educational and research activities, including the following:

- A community forum on transborder environmental issues, cosponsored with the World Affairs Council of San Diego.
- A binational symposium on volunteerism in Tijuana, featuring presentations and workshops on successful projects and volunteer opportunities in California and in Baja California.
- Proposed creation of a binational border volunteer corps.
- A planned series of seminars for corporate leaders entitled Bringing the Border to the Boardroom, to be held along the border.
- A Guide to Corporate Giving in the U.S.-Mexico border region, to be published later this year.
- A quarterly newsletter, *Border Links*.

(NAMI President John Wirth is a member of the Board of Directors of the Border Progress Foundation.)

Binational Organization Builds on Regional Heritage

Los Caminos del Río is a binational, multi-jurisdictional effort to promote economic development through heritage-based tourism in the 180-mile corridor along the Río Grande from Brownsville/Matamoros to Laredo/Nuevo Laredo. The organization publicizes the heritage corridor concept, assisting local citizens and communities in enhancing their architectural and cultural assets. The binational organization attracts capital and provides technical assistance to a variety of projects in the region.

Twin private, nonprofit organizations have been established on both sides of the border: Los Caminos del Río of Texas and Los Caminos del Río de México. The two groups have a single, interlocking board of directors, with equal representation from Mexico and Texas. For information contact Gloria Z. Canseco, Executive Director, Los Caminos del Río, (512) 791-4300.

North American Trade Dispute Resolution Center

The North American Trade Dispute Resolution Center (NATDRC) is a nonprofit, nongovernmental body headquartered in Denver, providing nonjudicial resolution of trade disputes arising in the private sector. NATDRC is governed by a board of directors drawn from the United States, Mexico, and Canada. Panels of arbitrators, mediators, and subject-matter experts are also drawn from all three countries.

NATDRC provides a neutral and independent center for the administration and conduct of international arbitration, mediation, and conciliation proceedings to resolve international business disputes as an alternative to transnational litigation. Disputants may agree to hold hearings in a location anywhere on the continent. They may also participate in choosing their panels or arbitrator(s). NATDRC is prepared to provide arbitration following NATDRC's rules, the rules of the American Arbitration Association, the International Chamber of Commerce, the UNCITRAL Arbitration Rules, rules of any other recognized international arbitration organization, or their own ad hoc rules. Decisions are final, binding, and enforceable under international convention. For information contact Mark Appel at (303) 831-0823.

Great Plains Initiative: New North American Approach to Natural Resource Protection

Elizabeth Santillanez

In collaboration with federal, state, local, and nongovernmental organizations and landowners, the Western Governors' Association (WGA) has made significant strides toward developing an innovative management strategy geared toward ensuring future ecological protection and economic growth on the Great Plains. The project, entitled The Great Plains Initiative (GPI), spans the 13 Great Plains states in the U.S., as well as regions of Canada and Mexico.

The Western Governors' Association is composed of the governors of 17 western states, Guam, American Samoa, and the Northern Mariana Islands. During the past several years, the WGA has worked closely with the Western Premiers Conference of Canada and the U.S.-Mexico Border Governors' Conference on the implementation of joint projects such as the Great Plains Initiative. In particular, the Ecology Committee of the U.S.-Mexico Border Governors' Conference is working on the improvement of land use planning and protected area management in the border region in coordination with WGA.

The Great Plains Initiative embraces the concept of sustainability. By assuming a proactive approach to natural resource protection and enhancement, the governors hope to avoid future conflicts for land users and minimize listings of wildlife species under the Endangered Species Act. All too often, the Act has led to stringent federal regulation of natural resources that hurts local economies or impairs the ability to manage wildlife and other resources comprehensively.

WGA has developed a unique alliance with the U.S. Environmental Protection Agency, the Fish and Wildlife Service, the Nature Conservancy, the International Association of Fish and Wildlife Agencies, and other organizations, as well as local governments and landowners. Recent efforts have addressed the need to enhance understanding and promote cooperation on the state, provincial, local, and grassroots level. WGA is now conducting a survey of state policies and practices regarding ecosystem management. The Nature Conservancy is mapping Great Plains species and their habitats, while the EPA is mapping other regional indicators of social and economic trends. The results of this research will provide data bases for decision makers.

While the implementation of the GPI strategy will remain voluntary, it will provide information and a forum that will empower people

to make management decisions based on a local as well as a regional perspective. Options for potential pilot programs and implementation will be presented to the Western Governors and their Mexican and Canadian counterparts during the upcoming WGA Annual Meeting, to be held in Tucson this June. An April conference jointly sponsored by the U.S. Environmental Protection Agency will bring together scientists and other stakeholders to share scientific information to develop solutions to ecological and economic problems in the region.

The Great Plains Initiative was launched in 1991 by former Kansas Governor Mike Hayden as an effort to safeguard the habitats of birds that migrate between Mexico and Canada via the Central American Flyway. According to Wyoming Governor Mike Sullivan, "GPI represents a new strategy for the West. As more of our resources are constrained or consumed by growth, we need to think further ahead to prevent costly mistakes. The cooperative approach we are talking about will provide a model for the entire nation."

This article was prepared by Elizabeth Santillanez, Policy Analyst, with the assistance of Michael Orr, Great Plains Initiative Intern, with the Western Governors' Association in Denver. For more information, call them at (303) 623-9378.

NAFTA Creates Jobs for Joe and Jose -- Jeffrey P. Gannon

MEXICO CITY-- Many Americans have heard arguments recently that passage of the NAFTA will cause businesses to move their manufacturing base south. But that's not why GE is excited about NAFTA.

GE has been in Mexico since 1896, with production facilities here since 1930. But our primary interest in Mexico isn't expanding a low-cost manufacturing export base for U.S. markets. Instead, it's exporting to Mexico mostly U.S.-made products like railroad locomotives, aircraft engines, gas turbines, and sophisticated medical electronics as Mexican economic development accelerates. This development would accelerate further with passage of NAFTA.

When President Salinas took office in 1988, GE sales in Mexico totaled only \$330 million. Our 1992 sales and orders exceeded \$1.5 billion, nearly five times the volume in as many years. Why? Mexico's business environment has been transformed by dramatic reductions in import duties, liberalization

of foreign investment statutes, stabilization of the peso, and improvements in intellectual property protection.

In 1992, GE businesses based in the U.S. sold more goods to Mexico (\$750 million) than all GE Mexican-based operations sold to the U.S. (\$500 million). This contributed to the overall favorable U.S. balance of trade with Mexico and supported 15,000 U.S. jobs. .

As the Mexican economy grows, a key priority will be infrastructure development. The U.S. Agency for International Development estimates that power demand in Mexico will grow by as much as 7% annually between 1989 and 1999, and that Mexico will spend \$34 billion in its expansion during that period. This development translates into jobs for GE and U.S. workers. For example, the recent order we received to help construct the Samalayuca II power plant is worth more than \$200 million to GE and will generate more than 700 employee-years of work in Schenectady, NY and Greenville, SC.

Finalizing a NAFTA agreement may spur the opening of some new, U.S.-owned manufacturing plants in Mexico, mostly to serve the Mexican market, and, to a lesser extent, for markets in the U.S. and elsewhere. For example, plants that might otherwise have gone to Asia are now more likely to be established in Mexico.

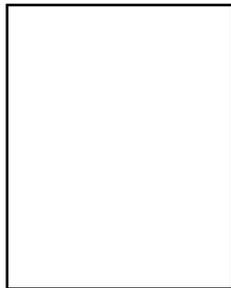
We expect (our) real growth to come from exports shipped to Mexico out of our U.S. plants. GE's presence in Mexico [is developing into] a competitively mature relationship of exports moving both ways across the border, meeting the needs of our customers in countries from one increasingly integrated market. That not only contributes to the global competitiveness of GE, but also to growth and jobs in the U.S. and Mexico, as both economies evolve--with Canada--into a North American marketplace.

Jeffrey Gannon is chairman and CEO of General Electric de México, S.A. (Excerpted from the Wall Street Journal, 3/29/93)

Labor Critique of NAFTA Deserves Government Reply

David Crane

Within the Mulrone government and in corporate boardrooms, opposition to the North American Free Trade Agreement tends to be dismissed as a knee-jerk reaction that doesn't deserve a reply. Yet labor and other groups have raised serious issues, issues that resonate with the majority of Canadians who appear to oppose NAFTA. The big issue, of



course, is jobs. But there is also concern that the agreement will be dominated by American multinationals that want to curb the power of governments, as was done in

Canada by pharmaceutical firms pressing for excessively long patent protection for prescription drugs.

The best summary of labor's concerns appeared in a recent edition of *Policy Options*, where Canadian Labor Congress economist Andrew Jackson outlined what he saw as four serious flaws in the economic case for North American free trade:

(1) The economic theory that everyone gains from free trade when barriers are dropped and each nation's industries become more specialized--the so-called "win-win" argument--assumes there is already full employment so that workers who lose their jobs in one industry can easily move into jobs in another.

Prime Minister Brian Mulrone sold the Canada-U.S. free trade agreement on this basis, promising "jobs, jobs, jobs." But with our existing high level of unemployment, Jackson argues, we can't assume that workers will quickly move from lower-paying old industries into better-paying new ones.

In fact, Len Waverman of the University of Toronto's Centre for International Studies calculates about 15 percent of manufacturing jobs--or 55,000 jobs--that have disappeared in Canada since 1989 can be blamed on the free trade deal. While that's not a lot of jobs in a country of Canada's size, those jobs still matter to the affected workers and their families. And it is clearly not what Mulrone promised.

(2) The economic models that are used to print out projections of job and production

gains for Canadians are only concerned with the impact of lower tariffs. They do not take into account what happens with investment flows.

"Business is assumed to disinvest in 'losing' sectors and to invest in new opportunities elsewhere in the domestic economy," Jackson says. But what happens if business closes down in the U.S. and Mexico, something which he asserts has already happened under the Canada-U.S. trade deal?

Gerard Adams, professor of economics and finance at the University of Pennsylvania, argued in a recent edition of the International Monetary Fund's *Survey* that NAFTA is an investment agreement.

"NAFTA is really about capital movements, transfer of technology, and location of production," he said, maintaining it was investment and technology transfer, not the elimination of tariffs, that will deliver the real benefits to Mexico. The U.S. would also benefit by supplying much of the capital equipment for this investment, he added. But what about Canada?

(3) The theory of free trade ignores the role of government in helping build competitive industries and a competitive work force, and instead assumes Canada will automatically restructure to an economy based on high-value, knowledge-based goods and services. Under this happy scenario of the free market economy, says Jackson, "capital and workers will flow from losing to winning industries, raising the living standards of Canadians as a whole." The problem is, it doesn't happen that way.

U.S. President Clinton recognizes this, pushing new programs to train workers and to make major investments for a science and technology policy that will help U.S. companies develop new products and services. But we don't have a strategy in Canada, says Jackson, even though our weaker manufacturing sector needs one. This means that the "gains" to offset job losses will go primarily to U.S. workers.

(4) Economic theorists appear to assume that increased efficiency and competitiveness automatically translate into higher living standards and a win-win situation for everyone. But that's a false assumption, says Jackson. What really seems to happen, he contends, is that inequality increases and society becomes more polarized. In what could be called an hourglass profile of the economy, there are the professional, highly

educated workers at the top, a few people in the middle, and a growing number of "losers," low and semi-skilled workers, at the bottom. Policies can affect this profile, so that pain and gain are shared. But Canada lacks the policies to do this in a productive way.

Waverman, in his chapter in the Fraser Institute's recent book *Assessing NAFTA: A Trinational Analysis*, does acknowledge some of the issues raised by Jackson, especially the need for effective government programs to strengthen the competitiveness of Canadian workers and companies. He says Canada needs "real and serious solutions" to address matters of education, training, venture capital, and the shift to high-productivity goods and services.

The Mulrone government, however, has no answers for Jackson. As during the Canada-U.S. free trade debate, it prefers to dismiss critics rather than answer them.

David Crane is a NAMI delegate. This article was excerpted from the Toronto Star, March 6, 1993.

NAFTA Opponents Announce Organizing Effort

The Citizens Trade Campaign, a Washington, DC-based group, announced that it is coordinating a multinational campaign to "fix or scrap" the North American Free Trade Agreement. CTC Director Jim Jontz, a former Indiana Congressman, announced a three-day working session at the U.S. Capitol brief members of the U.S. Congress and to plan and coordinate activities among U.S., Canadian, and Mexican activists.

At a recent news conference, Jontz said, "The NAFTA . . . is seriously flawed. The groups here today represent millions of people in all three nations that feel this agreement must be recast to better address the problems of labor rights, environmental degradation, and consumer protection." Joining Jontz at the news conference were representatives of the Action Canada network and the Mexican organization FAT, the Authentic Front for Labor.

The groups announced they will kick off a nationwide grassroots organizing effort May 1-7 with NAFTA Action Week, with rallies planned in a number of major cities.

PUBLICATIONS

International Organization is a scholarly journal of international political economy, published quarterly by MIT Press for the World Peace Foundation. Contact MIT Press Journals, 55 Hayward St., Cambridge, MA 02142-1399. Tel. (617) 253-2889; Fax (617) 258-6779.

Green Fees: How a Tax Shift Can Work for the Environment and the Economy, by Robert Repetto, Roger C. Dower, Robin Jenkins, and Jacqueline Geoghegan. Available from World Resources Institute. Contact WRI Publications, Dept. GF, PO Box 4852, Hampden Station, Baltimore, MD 21211.

Global Environmental Change Report is an 8-page newsletter providing policy, science, and industry news worldwide, published twice each month. Contact Global Environmental Change Report, 37 Broadway, Arlington, MA 02174-5539. Tel. (617) 648-8700; Fax (617) 648-8707.

Convergence and Community: The Americas in 1993 is a recently released policy report from Inter-American Dialogue. Contact Inter-American Dialogue of the Aspen Institute, 11 Dupont Circle NW, Ste. 502, Washington, DC 20036. Tel (202)265-5350; Fax (202) 265-5425.

Across the Wire: Life and Hard Times on the Mexican Border, Luis Alberto Urrea. New York: Anchor Books/Doubleday, 1992.

The Collapse of Canada?, R. Kent Weaver, Editor; *Globalizing the GATT*, Leah A. Haus; and *In Search of a New World Order*, Henry Brandon, Editor, are available from The Brookings Institution, Dept. 029, Washington, DC 20042-0029. Tel. 1-800-275-1447, or (202) 797-6258 in the Washington area.

NAFTA: An Assessment and *North American Free Trade: Issues and Recommendations*, both by Gary Clyde Hufbauer and Jeffrey J. Schott, are available as a two-volume set at a discounted price from the Institute for International Economics, 11 Dupont Circle NW, Washington, DC 20036. Tel. (202) 328-9000; Fax (202) 328-5432.

Economic Instruments for Environmental Protection, Environment Canada, Ottawa, Canada, 1992.

"New Directions in United States-Mexican Transboundary Environmental Management: A Critique of Current Proposals," Stephen P. Mumme; and *"Establishing a Region for Ecological Cooperation in North America,"* Alberto Szekely; both articles in *Natural Resources Journal*, Summer 1992, Vol. 32, No. 2, available from the University of New Mexico School of Law, Albuquerque, NM 87131.

NAMI PUBLICATIONS IN PROGRESS

NAFTA and Beyond, a collection of essays presenting a balanced view of NAFTA from the perspective of North America as a whole. To be published jointly with The New Pacific Communications, Vancouver, BC. Publication expected summer 1993.

Identities in North America: The Search for Community, Robert Lee Earle and John D. Wirth, eds. To be published jointly with Stanford University Press and Fondo de Cultura Economica. Publication expected fall 1993.

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